

National Oceanic and Atmospheric Administration

CONSTRUCTION WORK-IN-PROGRESS (CWIP)

September 22, 2000

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1 NOAA Office of Budget

NOAA-Wide Conference

What is covered?

- This mini presentation was designed to provide an overview of NOAA's Construction-Work-in-Progress (CWIP) process.
- It is intended to familiarize all personnel who deal with financial management on the concept of CWIP so they can recognize likely CWIP projects.
- It will mention the main CWIP steps and note the periodic actions required.

Underlying Accounting Concepts

- Obligations incurred by a program each year are either capitalized or expensed.
 - Obligations which are capitalized relate to the acquisition of a capital asset.
 - The value of the capital asset is consumed over a period of two or more year and remains on NOAA's list of assets for the useful life of the asset.
 - Obligations which are expensed are deemed to be consumed within a period of one year or whose value is below the capitalization threshold.

Underlying Accounting Concepts

- Assets which are purchased off the shelf with no installation costs are capitalized upon delivery.
- Some assets require time to deliver/complete or include costs associated with design, site preparation, planning etc.
 - The “completed” assets is not capitalized until the project is completed.
 - However, during the completion of the asset, obligations are recorded in asset “holding” account, Construction-Work-In-Progress

So CWIP is what?

- CWIP is -
 - A temporary “asset holding account” for collecting obligations during projects related to the acquisition of capital property, plant and equipment.
 - These obligations will be transferred to the capitalized asset on completion of the project.
 - These asset value will be allocated (depreciated) over the useful life of the asset.

Is this a CWIP project?

- What projects must be handled through CWIP?
 - If at the completion of the acquisition, the cost of the item (building, equipment, boat, satellite, etc., or major improvement to any of these) will be capitalized, and
 - the acquisition is not a simple off the shelf purchase,
THEN
 - the CWIP procedures probably need to be followed.

What items are capitalized?

- Capitalized Items must meet ALL of these criteria (generally)
 - The NOAA minimum dollar threshold for capitalization of \$200,000 for the aggregate cost of acquisitions
 - Must have an estimated service life of 2 or more years,
 - Must provide a long-term future economic life to the agency,
 - Is not intended for sale.

Mods to the Capitalization Rule

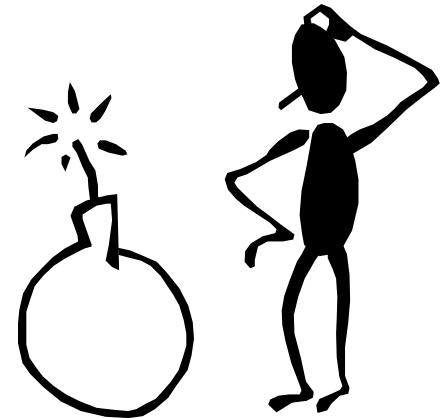
- Bulk purchase acquisition capitalization:
 - One time acquisitions or delivery orders where the individual (identical) components are each between \$25,000 and \$200,000 and the aggregate acquisition is greater than or equal to \$1,000,000.

Are there any hidden surprises?

- If you understand the concept, probably not.

– Things to watch for are

- Bulk purchases
- Major equipment upgrades,
- Improvements to facilities,
- Improvement on capital leases.

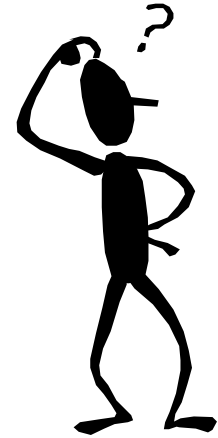


How do I really know if it is CWIP?

- You really don't have to know all of the ins and outs on CWIP!
- You just need to understand enough to know when to contact with the appropriate organization!



Who ya gonna call !



- The capitalization criteria established for real and personal property staffs are the criteria used for CWIP.
- Since there is no separate list of criteria for CWIP project, the Real and Personal Property Staffs will make the decision on whether it is to be capitalized and if CWIP is needed.

Contact List for CWIP

- **OFA Facilities/Real Property Questions**
 - **Gina Ziegenbein**
 - PH: (301)713-1946 x101 FAX:(301)713-1147
 - Internet Address: Gina.M.Ziegenbein@noaa.gov
- **OFA Personal Property Questions**
 - **Brian Mason**
 - PH: (301)713-3530 x165 FAX:(301)713-2300
 - Internet Address: Brian.G.Mason@noaa.gov
- **CIO Software Questions (for softwarecapitalization)**
 - **Bob Kidwell**
 - PH: (301) 713-3525 x113 FAX:(301) 713-3554
 - Internet Address: Robert.H.Kidwell@noaa.gov

Contact List for CWIP

Continued

- **Finance Questions (reconciliation of CWIP)**
 - **Nick Bayer**
 - PH: (301)413-2120 x168 FAX:(301)413-8515
 - Internet Address: Nicholas.E.Bayer@noaa.gov
- **Budget/Generic/Cross-functional Questions**
 - **Peter Olivere**
 - PH: (202)482-4635 FAX:(202)482-4823
 - Internet Address: Peter.J.Olivere@noaa.gov

What if the project is close to being CWIP, but isn't?

- Place “Determination Memorandum” in project file and proceed with construction
- This can avoid painful problems years later.
 - Work with the Real or Personal Property staff.

If it is CWIP and you missed it !

- If you don't identify a CWIP project early, before obligations are starting to be incurred, the CWIP task manager will have to go back and reconstruct the documentation for EVERYTHING that has happened and make the appropriate cost adjustments.
- **If you're not 1000% sure, CALL!**



If the project is CWIP !!



- LO MB needs to notify NOAA Budget Execution Staff to -
 - Establish tasks for CWIP project (both CWIP and expense cost task codes)
 - Provide completed CWIP Project List Update form which includes -
 - Description, total CWIP Cost, completion date, CWIP Task Manager and information to be able to contact the manager.

If the project is CWIP !!

- CWIP Task manager needs to get a copy of the CWIP Policy and Procedures (ASAP) from Budget (Sept 1998).
- CWIP Task manager needs to determine what are the CWIP costs which need to be captured (versus any expensed costs on the overall project.)
 - Recommend validating the determination with Real or Personal Property very early.

Task Code “Rule”

- OR&F appropriations:
 - First position of task code MUST BE ‘4’ instead of an 8. (Allowance Advice will not differentiate)
- PAC appropriation:
 - Third position of task code MUST BE ‘F’ instead of the normal subactivity number.
- Reimbursable tasks (CWIP is rare):
 - Third position of task code MUST BE ‘F’ instead of the normal subactivity number.

The CWIP Task Manager

- Should be “close to money”, i.e., person who will be responsible for the obligating of costs.
- Has overall responsibility for financial and budgetary activities involving the project.
- Has responsibility for the accuracy of the valuation of the CWIP asset.
- Maintains a complete and accurate CWIP file folder with all the documentation.

The CWIP Task Manager

- Is responsible for conducting
 - an annual, end of fiscal year reconciliation between the project file and the most current CWIP Task Status Report (sent to Finance)
 - At completion of the project, initiates action to record the CWIP costs as PP&E (sent to Real or Personal Property)

The CWIP File Folder

- CONTAINS:
 - Written cost estimate (capital and expense)
 - CWIP Determination Memo
 - Spreadsheet for cost and documentation tracking
 - Spreadsheet for “Incidental Costs”
 - FIMA CWIP Task Status Reports (labor)
 - Obligating documents for capital costs
- CWIP Policy and Procedures provides details.

Periodic Care and Feeding

- Monthly:
 - Update spreadsheet for cost and documentation tracking
 - Reconcile CWIP Task Status Report against CWIP file spreadsheet and documentation and submit cost adjustments if needed.
 - If the folder is not frequently updated, reconciliation at year-end becomes a significant problem.
- Quarterly:
 - Advise NOAA “Budget Execution” of changes in information on the CWIP Project list.

Project is Completed



- A number of detailed steps are described in the procedures to ensure that
 - the correct CWIP costs are transferred from the CWIP account to the specific asset account,
 - the asset is included in the Real or Personal Property inventory,
 - the appropriate depreciation costs are established,
 - and any remaining obligations in the CWIP tasks for the project are removed.
- If you are new at this call someone on the list.

Getting CWIP 15C Report

- Use the Interactive FIMA Gateway
 - <http://apollo.iso.noaa.gov/>
- Select Reports
- Select from montly Construction work-in-Progress (FRFD15C)
- Print (this is a fairly lengthy report - currently over 220 pages)

Interactive Access to CWIP Data

- Use the Interactive FIMA Gateway
 - <http://apollo.iso.noaa.gov/>
- Select Download (or browse to look)
- Select CWIP table
- Enter task code in all caps (or use a % to wildcard)
- Select generate
- Save file with a .DBF extension
- Open with a spreadsheet application (123/Excel/Quattro) or a database application.

CWIP Ad Hoc Queries

- The additional handout includes queries which can be used on “I-FIMA Gateway Ad Hoc Query” page <http://apollo.iso.noaa.gov/>
- The queries add the fields together the same way the CWIP 15C report does.
- To use them you can type the query as shown.
- To avoid typing the queries, the ad hoc queries are included as a text file on the NOAA Budget CWIP Webpage.

CWIP Ad Hoc Queries

- There are several queries to provide data from
 - the detailed Task / Phase / FY / Object Class to the
 - summary Task / FY level.
- A separate query provides the information on the amount Capitalized.
 - Note - Capitalized Costs in the CWIP table are the amounts recorded in major and minor object classes = 0

CWIP Project List Update

- CWIP Project Code: For new CWIP projects this will be assigned by the Budget Office
- Project Title:
- Organization Managing Project:
- Estimated CWIP Project Completion Date:
- Estimated CWIP Project Amount (obligations under CWIP):
- CWIP Project /Task Manager Information below -
 - Name
 - Phone FAX EMAIL
 - Full Mailing Address
- Task Codes which will be used on the project **B**
 - CWIP Current & Previously Used Tasks
 - Non-CWIP Tasks
- Information for Property on number of units
- Other information for Subprojects (for those who manage by phase codes)

CWIP Project List

- Now assigned a unique number for each CWIP Project which will be made up of the
 - LO managing the funds,
 - the FY the code was set up and
 - a sequence number for the project.
- This will be the key to grouping and reporting on CWIP projects.
- A copy of the form is located on the NOAA Budget CWIP Webpage.

CWIP Subprojects

- Sub Projects - If an organization chooses to use one task code and phase codes to differentiate multiple subprojects, these will be treated as a single CWIP project.
 - Finance will only accept the Annual Reconciliations of CWIP documents versus the 15C report at the "CWIP Project" level (task or group of tasks).
 - Therefore the Annual Reconciliations for the subprojects MUST be consolidated by the "Task/Consolidation Manager" within the LO BEFORE it is sent to Finance at year end.

Budget CWIP Information

- NOAA Budget CWIP Webpage
 - <http://www.rdc.noaa.gov/rdc/budget.html>
- Includes
 - Current CWIP Project listings
 - Status of CWIP obligations and capitalization by task for each Project on the CWIP listing.
 - Form to add or edit project on CWIP listing.
 - CWIP Policies and procedures.
 - Lots more ! !

Finance CWIP Information

- NOAA Finance Policy Webpage
 - http://www.rdc.noaa.gov/~finance/financial_policy.htm
- Includes
 - Directions for Reconciling CWIP
 - CWIP Reconciliation Template (FY 2000 version)
 - CWIP List of Projects (current version not updated since last fall - but in a few weeks will be updated)

Other CWIP Information

- CASC Facilities and Logistics CWIP Webpage has a Construction Management and CWIP Homepage with lots of info
 - http://www.casc.noaa.gov/facilities_logistics/fld_const.htm
- Personal Property Policy and Procedures Webpage
 - <http://www.wasc.noaa.gov/noaaprop/policy.htm>

Copy of CWIP Project List

- Check the NOAA Budget Office CWIP Webpage
- Contact Peter Olivere via email or call 202-482-4635